

# 3Q 2022

## Business Results & Outlook

2022. 11

# Disclaimer



The financial information in this document are consolidated earnings results based on K-IFRS.

The previous earnings results have also been stated in compliance with K-IFRS.

LOTTE Chemical undertakes no obligation to update or revise the preliminary provided in this release.

Also, this material is not legally binding for any of investors' investment result.

Forecasts and projections contained in this material are based on current business environments and management's strategies, and they may differ from the actual results upon changes and unaccounted variables.



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Management Share Acquisition and Share Buyback

# 3Q 2022 Business Results – Income Statements (Consolidated)



(Unit: KRW bn)

	3Q22	QoQ		YoY	
		2Q22	QoQ Change	3Q21	YoY Change
<b>Sales</b>	<b>5,683</b>	<b>5,511</b>	3.1%	<b>4,442</b>	27.9%
<b>Operating Income (%)</b>	<b>△424</b> (△7.5%)	<b>△21</b> (△0.4%)	△403	<b>288</b> (6.5%)	△712
<b>EBITDA (%)</b>	<b>△180</b> (△3.2%)	<b>186</b> (3.4%)	△366	<b>491</b> (11.0%)	△670
<b>Pre-Tax Income (%)</b>	<b>△86</b> (△1.5%)	<b>81</b> (1.5%)	△166	<b>415</b> (9.3%)	△500
<b>Net Income (%)</b>	<b>△31</b> (△0.5%)	<b>36</b> (0.7%)	△67	<b>313</b> (7.0%)	△344

\* Equity method income : 123.0bn KRW (2Q22 122.8bn KRW, 3Q21 132.5bn KRW)

\* As of the end of August 2022, LOTTE Fine Chemical was incorporated into consolidation as a subsidiary company, hence LOTTE Fine Chemical's September earnings performance is included in the earnings results

# 3Q 2022 Business Results – Financial Position



## Balance Sheet

(Unit: KRW bn, %)

	2021	2Q22	3Q22
<b>Asset</b>	22,855	23,872	<b>26,924</b>
<b>Cash and Equivalents<sup>1</sup></b>	4,483	3,341	<b>4,407</b>
<b>Liabilities</b>	7,416	8,176	<b>9,328</b>
<b>Borrowings</b>	3,548	4,127	<b>5,624</b>
<b>Shareholder's Equity</b>	15,439	15,696	<b>17,597</b>

## Financial Ratio

(Unit: %, %p)

	2021	2Q22	3Q22
<b>Debt/Equity</b>	48.0%	52.1%	<b>53.0%</b>
<b>Net Debt/Equity</b>	△6.1%	5.0%	<b>6.9%</b>
<b>ROE<sup>2</sup></b>	9.3%	1.2%	<b>0.4%</b>
<b>ROA<sup>3</sup></b>	6.0%	0.7%	<b>0.2%</b>

1. Cash and Equivalents = Cash and cash equivalents + Short-term financial instruments + Financial assets at fair value through other comprehensive income;

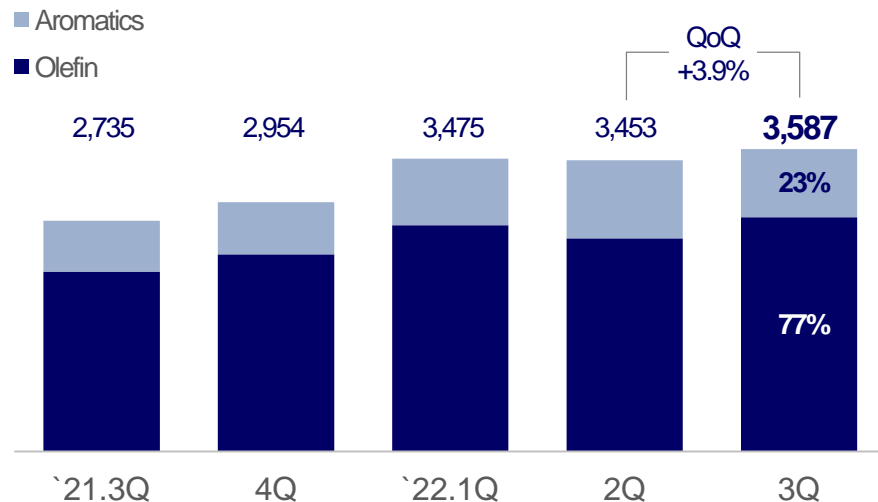
2. ROE = Annualized net income (current quarter\*4) / average of beginning & ending shareholder's equity, Net income and shareholder's equity are based on controlling interest base;

3. ROA = Net income (current quarter\*4) / average of beginning & ending of assets

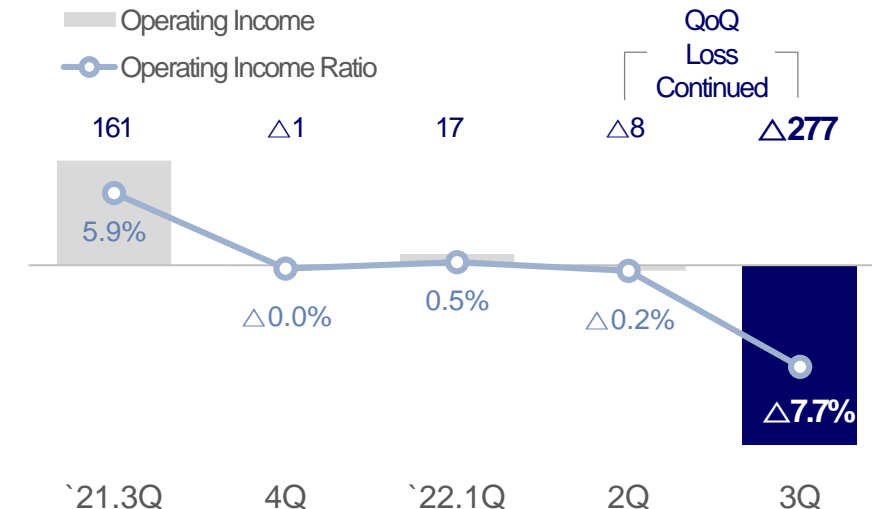
# 3Q 2022 Business Results – Results & Outlook by Business Division

## Basic Chemical (Olefin, Aromatics)

**Sales** (Unit : KRW bn)



**Operating Income** (Unit: KRW bn)



### 3Q Earnings Review

- Sales increased due to completion of Yeosu complex maintenance and operation of new facilities
- Profitability greatly reduced due to reflection of lagged impact from decreased feedstock costs, and margin squeeze from weakened global demand

### 4Q Outlook

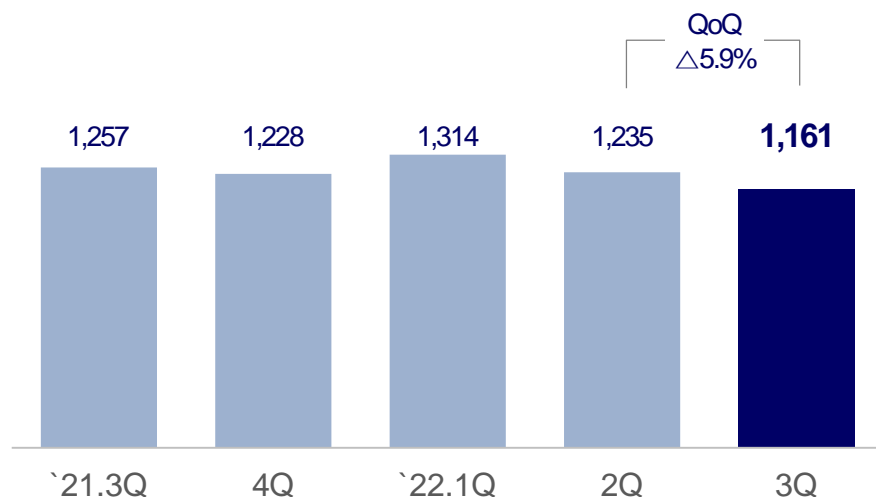
- Difficult business condition expected to continue, with increased capacity additions within the region amidst limited global demand improvement
- Anticipating profitability improvement due to downward stabilization of feedstock costs

# 3Q 2022 Business Results – Results & Outlook by Business Division

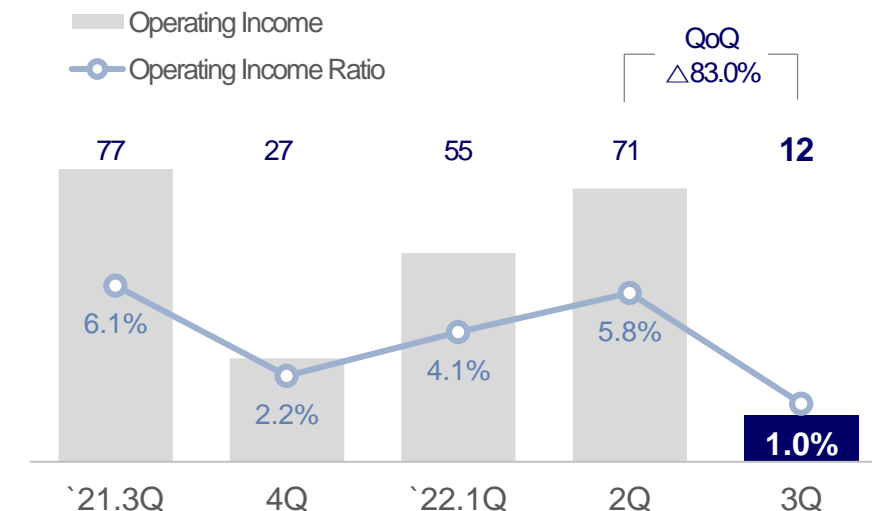


## Advanced Materials

**Sales** (Unit: KRW bn)



**Operating Income** (Unit: KRW bn)



### 3Q Earnings Review

- Sales slightly decreased due to utilization rate adjustment
- Profitability weakened due to slow demand, with COVID-19 lockdown measures within the region, and energy cost surge in offshore region

### 4Q Outlook

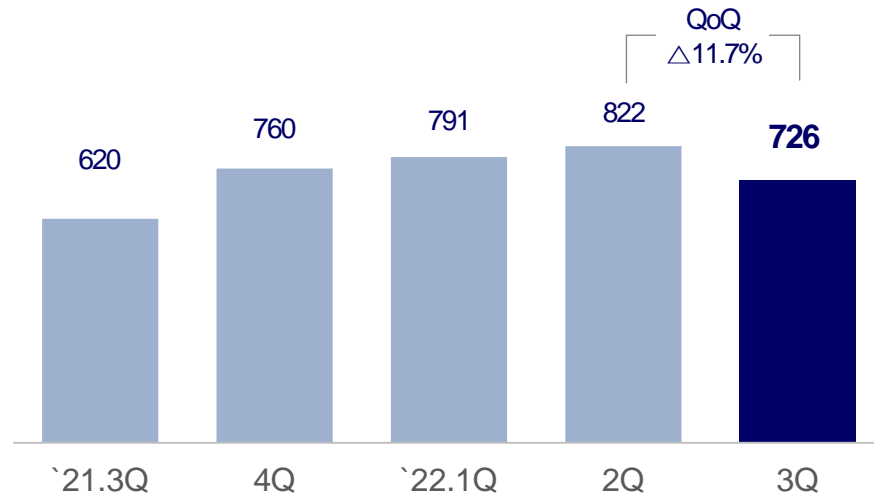
- Weak demand expected to continue with global recession fears
- Forecasting slight profitability improvement with reduced freight cost and downward stabilization of feedstock costs

# 3Q 2022 Business Results – Results & Outlook by Business Division

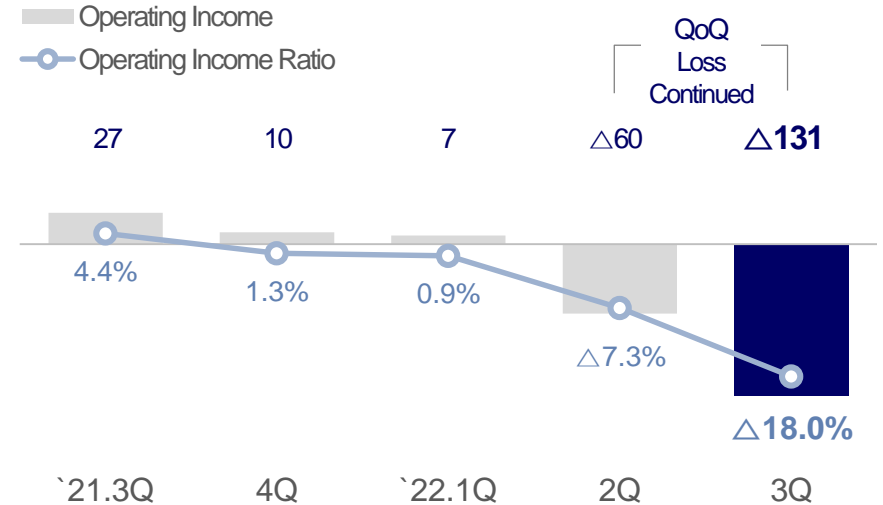


## LC Titan

**Sales** (Unit : KRW bn)



**Operating Income** (Unit : KRW bn)



### 3Q Earnings Review

- Sales decreased due to operating rate adjustment
- Profitability greatly reduced with lagging effect applied due to drop in feedstock costs, and weakened market demand despite intensified oversupply issue in SEA market

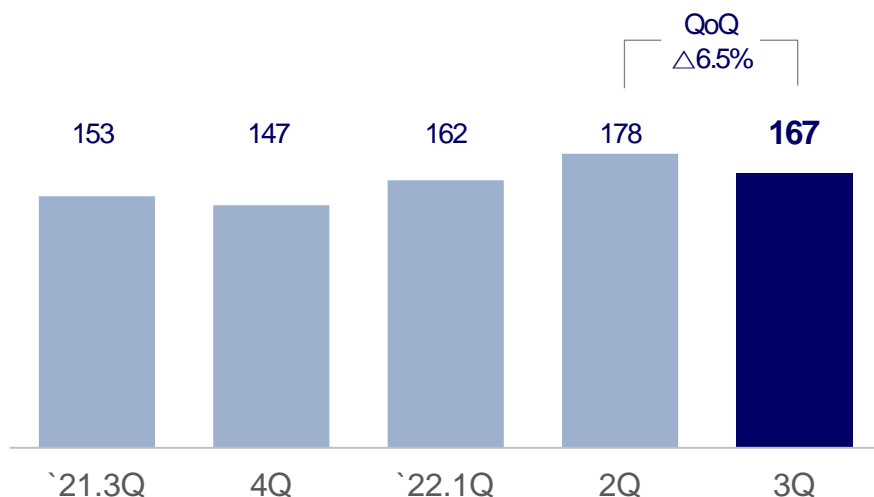
### 4Q Outlook

- Difficult business condition to continue due to intensified supply competition within the SEA region, amidst limited demand improvement as a result of global recession fears
- Expecting profitability improvement due to downward stabilization of feedstock costs

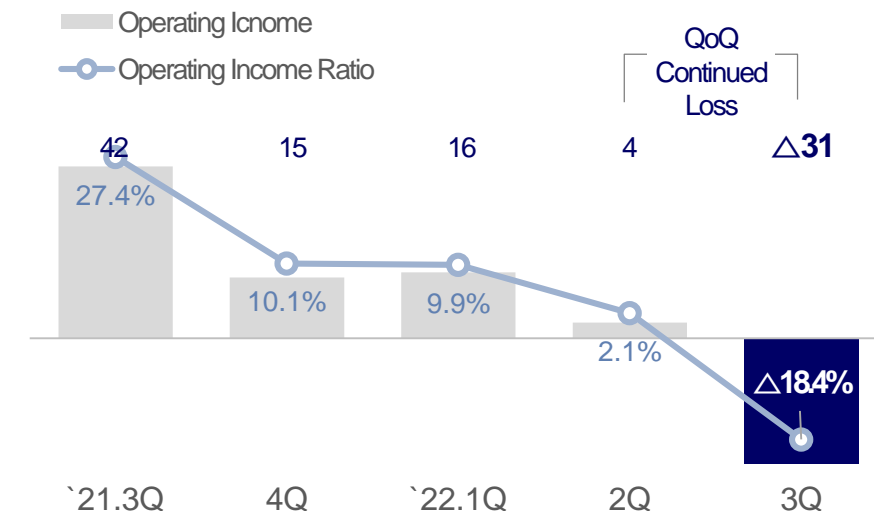
# 3Q 2022 Business Results – Results & Outlook by Business Division

## LC USA

**Sales** (Unit: KRW bn)



**Operating Income** (Unit: KRW bn)



### 3Q Earnings Review

- Reflection of high feedstock cost due to rising ethane price until August
- Profitability decreased with falling oil price and worsening MEG supply-demand balance

### 4Q Outlook

- Business condition continue to stay weak due to MEG supply burden and weakened frontline industries
- Forecasting profitability to slightly improve due to downward stabilization of ethane price followed by increased production of natural gas, compared to the previous quarter

\* Feedstock Price – US Ethane (\$/Ton) : ① Quarterly Trend – 2Q: 431 → 3Q: 405 ( $\Delta 6.0\%$ ) ② Monthly Trend – July: 424 → Aug: 446 → Sep: 346

\* Product Price – US MEG (\$/Ton) : ① Quarterly Trend – 2Q: 624 → 3Q: 516 ( $\Delta 17.3\%$ ) ② Monthly Trend – July: 535 → Aug: 502 → Sep: 512

# Major Investment Plan



Project	Investment (KRW bn)	Capacity (KTA)	Location	Mechanical Completion (Plan)
LOTTE GS Energy JV (51%)	194 (Total 950)	BD 90, TBA 70, BN-1 40 MTBE 15	Yeosu, Korea	Commercial Production Start
		Phenol 350, Acetone 215 BPA 200	Yeosu, Korea	`24. 1H
EV Battery Electrolyte Solvent	350	Total 110 (HP-EC <sup>1</sup> /DMC <sup>2</sup> HP-EMC <sup>3</sup> /DEC <sup>4</sup> )	Daesan, Korea	`24
D-EOA Expansion	250	HPEO 250, EOA 150	Daesan, Korea	`23.2H
Chemical Recycled PET	77	BHET 45, C-rPET 110	Ulsan, Korea	`24. 2H
LINE <sup>5</sup>	3.9bn USD	Ethylene 1,000, Propylene 520, PP 250, BD 140	Indonesia	`25. 1H

\* 1. High Purified Ethylene Carbonate; 2. High Purified Dimethyl Carbonate; 3. Highly Purified Ethyl Methyl Carbonate; 4. Highly Purified Di Ethyl Carbonate; 5. LOTTE Indonesia New Ethylene

The background of the slide is a grayscale photograph of the Lotte World Tower in Seoul, South Korea. The tower is a tall, slender skyscraper with a distinctive, slightly tapered design, standing prominently in the center of the frame. It is surrounded by other urban buildings and greenery. In the foreground, there is a body of water, likely the Han River, which reflects the cityscape. The sky is filled with soft, white clouds, creating a bright and airy atmosphere. The word "Appendix" is overlaid in the center of the image in a bold, black, sans-serif font.

# Appendix

# Quarterly Income Statements



(Unit: KRW bn, %)

	2021					2022				
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total
Sales	4,168	4,352	4,442	5,158	18,121	5,586	5,511	5,683		16,780
OP	624	594	288	30	1,536	83	▲21	▲424		▲363
%	15.0	13.6	6.5	0.6	8.5%	1.5	▲0.4	▲7.5		▲2.2%
Pre-tax Income	704	665	415	119	1,902	167	81	▲86		163
Net Income	538	501	313	74	1,426	117	36	▲31		122

# Shareholders & Affiliates – As of the end of 2021



## Sales by Regions

	LOTTE Chem. + LCTitan + LCPL + LC USA	LOTTE Chem.
Korea	34%	42%
China	18%	20%
Asia-Pacific	25%	14%
EU / Africa	11%	12%
America / Middle East	12%	12%
<b>Total</b>	<b>100%</b> (17.8tn KRW)	<b>100%</b> (13.7tn KRW)

## Sales by Products

	LOTTE Chem. + LCTitan + LCPL + LC USA	LOTTE Chem.
PE	17%	12%
PP	15%	12%
ABS/PC	25%	31%
EO/EG	10%	9%
BD/SM	4%	4%
NC/BTX	14%	15%
PTA/PET	6%	7%
Others	8%	9%
<b>Total</b>	<b>100%</b> (17.8tn KRW)	<b>100%</b> (13.7tn KRW)

# Shareholders & Affiliates – As of the End of October 2022



## Shareholders

Shareholders	% Shares
<b>Affiliated</b>	<b>54.93%</b>
LOTTE Holdings	25.59%
LOTTE Mulsan	20.00%
LOTTE Holdings (Japan)	9.30%
Lotte Foundation for arts	0.03%
Others	0.01%
<b>Free Float</b>	<b>44.24%</b>
Foreign Investors	15.23%
<b>Treasury Stocks</b>	<b>0.83%</b>
<b>Total</b>	<b>100.00%</b>

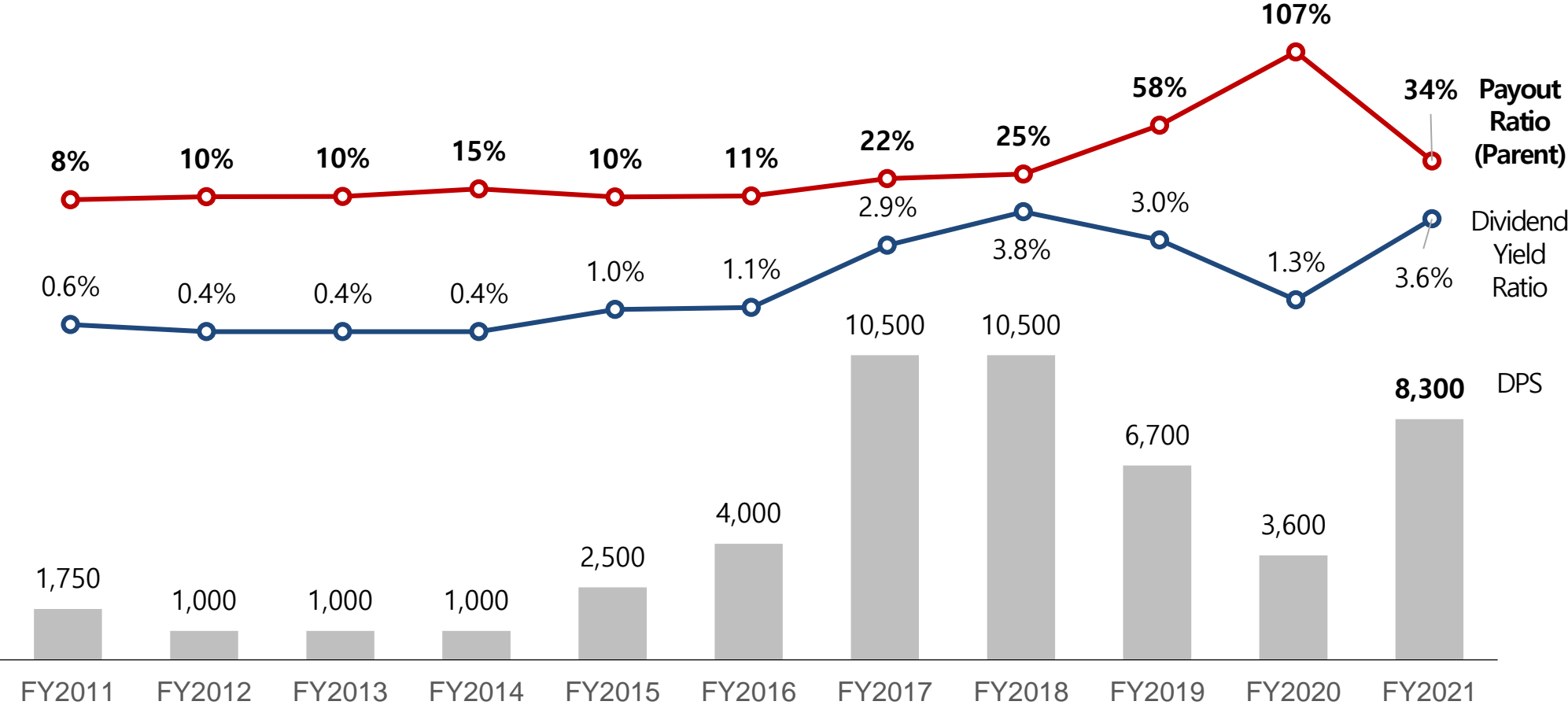
## Major Affiliates

	Affiliates	% Shares
Subsidiary	LOTTE Battery Materials USA	100.00%
	LOTTE Chemical USA	90.34%
	LOTTE Chemical Titan	75.86%
	LOTTE Chemical Pakistan Limited	75.00%
	LOTTE GS Chemical	51.00%
	LOTTE Fine Chemical	44.06%
Joint Venture	LOTTE Versalis Elastomers	50%+1
	LOTTE MCC	50.00%
	LOTTE INEOS Chemical	49.06%
	LOTTE SK Eneroot	45.00%
Related Company	Kor-Uz Gas Chemical Investment	49.00%
	LOTTE E&C	43.79%
	Hyundai Chemical	40.00%

# LOTTE Chemical Dividend Policy



LOTTE Chemical basically aims for 30% of payout ratio based on parent company's net profit. In addition, the company determines it considering dividend stability, investment for corporate value growth and financial stability.



# Major Issue Update



- ✓ **Addition of LOTTE Fine Chemical as consolidated subsidiary** (As of the end of Aug. 2022)  
→ Synergy with future new business, expansion of consolidated asset/earnings
- ✓ **Push for 50bn KRW worth of share buyback in 2022** (50bn KRW complete)  
Share acquisition by management for responsible management (440mn KRW)

## LOTTE Fine Chemical as Consolidated Subsidiary

- **Met condition as a subsidiary company<sup>1</sup> after additional stake acquisition in LOTTE Fine Chemical → End of Aug. 2022, included in consolidated earnings**
  - Additional stake acquisition : Nov. 2021 – Aug. 2022
  - Shareholding ratio : [Former] 31.13% → [Current] 43.50% (+12.37%p)
- **Expected improvement : Contribute to 2030 vision by collaborating in eco-friendly new business, Increase in consolidated asset/earnings**

## LOTTE Fine Chemical Financial / Earnings Performance

(Unit: KRW bn, %)

	2021	2022		
		1Q	2Q	3Q
<b>Sales</b>	1,780	652	686	629
<b>OP</b>	245	110	130	120
<b>Asset</b>	2,724	2,729	2,648	2,545

## Share Buyback / Management Share Acquisition

1

### Share Buyback

- **Mid-term shareholder return policy announcement** (Mar. 2022), **Plan to acquire 300bn KRW worth of shares in 2022~2024, acquire 50bn KRW in 2022**
  - BOD resolution (7/27), treasury stock acquisition trust agreement (8/8, contract price 50bn KRW, purchasing period 6 months), currently 99.5% of contract amount completed

2

### Management Share Acquisition

- **Oct 18<sup>th</sup>, 16 executives acquired company shares in order to strengthen responsible management for shareholders and other stakeholders**
  - 3 CEOs: 1,280 shares (Gyohyun Kim [Vice Chairman], Jinkoo Hwang [Vice President], Youngjun Lee [Vice President]) and 13 other executives, acquired 1,480 shares (Total 440mn KRW)



MISSION

사랑과 신뢰를 받는  
제품과 서비스를 제공하여  
인류의 풍요로운 삶에 기여한다

We enrich people's lives by providing  
Superior products and services that  
Our customers love trust

